

McDonald's Situational Analysis

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McDonald's is the world's largest fast food chain with over \$25B in annual sales and more than 35,000 retail locations in more than 100 countries (McDonald's Corporation, 2015).

Core Products or Services

Beyond the burgers, French fries and milkshakes that they have, they have been selling since its founding, McDonald's sells a variety of wraps, salads, sandwiches and beverages – more than 200 items in all (The Economist, 2015). McDonald's locations are typically open for breakfast, lunch, dinner and late night dining and many feature drive-thru service.

A Brief History

The first McDonald's restaurant was opened in 1948 by Richard and Maurice McDonald. It brought production line techniques to the burger business and challenged the dominant carhop drive-in business model. Ray Kroc was one of the earliest franchisees and the key figure in the rapid expansion of the business after he bought out the McDonald brothers 1961. McDonald's became a public company in 1965 and opened its first international location in 1967. Sales and locations have continued to grow every year since (Comoletti, 2014)

Key current competitors

Historically, McDonald's primary competitors were identified to be the large fast food burger chains like Burger King and Wendy's. But given McDonald's size and the expansion of their menu, the competitive set must be viewed more broadly to include sandwich shops like Subway, other fast food concepts like Chick-fil-A, more upscale fast casual restaurants like Panera and Chipotle, as well as coffee shop chains like Starbucks and Dunkin' Donuts.

SWOT Analysis

A SWOT analysis is a strategic planning tool used to assess the strengths, weaknesses, opportunities, threats, and trend of an organization, company, project, plan, or venture

Strengths

- **Anytime, anywhere convenience**

With over 14,000 locations in the U.S. alone, there is a McDonald's within a short drive of almost everyone and most are open from 6am to 11pm. The number of locations also means that McDonald's can purchase media nationally which is more cost efficient than buying locally.

- **Brand equity**

Because of its many locations, consistent brand experiences and hundreds of millions of dollars spent on marketing each year-- McDonald's has developed a very strong brand. For example, they ranked 5th on BrandZ's 2014 most valuable global brand list (Rooney, 2014).

- **The Best French Fries**

McDonald's french fries are universally loved -- even by people who don't otherwise like McDonald's food. McDonald's fries were voted #1 in a 2015 YouGov study (Peterson, 2015).

- **Kid appeal**

McDonald's is a popular destination amongst younger kids. Many locations have indoor playgrounds and there are menu items such as Happy Meals which combine several kid friendly food offerings in a fun box that includes a toy. The brand does a lot of advertising on kid targeted programs and Ronald McDonald is a highly recognizable spokesperson.

- **Inexpensive**

With its well-known dollar menu, McDonald's is perceived by most consumers as an inexpensive place to go for breakfast, lunch or dinner -- or a between meal snack.

Weaknesses

- **Menu bloat**

In their attempt to compete with a wide range of competitors, McDonald's menu has swollen to more than 200 items. This is driving down operational efficiency as it takes longer for consumers to order and longer for the food to be prepared (Walton, 2015). Franchisees also have to invest in additional kitchen equipment and training.

- **Dining environment appeal**

Many McDonald's locations are outdated relative to chains like Starbucks or Panera which offer comfortable seating, amenities like fireplaces and greater cleanliness (Walton, 2015).

- **Low customer satisfaction**

In a 2014 ACSI survey, McDonald's ranked last with a rating of 71%, some 7 points below competitors like Wendy's and Subway (Comoletti, 2014). The rating reflects factors such as order accuracy, food quality, staff courtesy and menu variety.

- **Low employee wages**

McDonald's does not pay its restaurant workers what most would consider to be a "living wage". As a result, McDonald's does not always attract the highest quality employees and turnover can be high, resulting in a constant need for re-hiring and re-training.

Threats

- **Healthier eating trends**

While McDonald's menu does feature some healthier items like salads and wraps, they are still primarily associated with burgers, french fries, mass production and processed food. As such, healthier eating trends represent a threat to McDonald's business.

- **Aging of the population**

The percent of population in the United States over the age of 65 is growing. From 10% in 1970 to a projected 20% by 2030 (Ortman, Velkoff, & Hogan, 2014). The aging of the population is a threat for a business whose core consumer franchise has historically been families with younger children.

- **Rising social consciousness**

While McDonald's business or environmental practices have likely improved over time, the level of scrutiny surrounding the triple-bottom line and associated negative publicity has increased in recent years. Popular documentaries like *Super Size Me* and *Fast Food Nation* have not portrayed McDonald's food or its business practices in a positive light.

Opportunities

- **Positive childhood associations**

Regardless of people's current perceptions or level of satisfaction, most McDonald's consumers have fond childhood memories associated with the brand that can be potentially activated with the right messaging or product offerings. This creates an opportunity with the next generation of parents.

- **The prolonged U.S. economic recession**

The more people's budgets are pinched, the more they are apt to "trade down" to less expensive options like fast food. With its well known dollar menu, McDonald's has the opportunity to benefit from a prolonged economic downturn.

- **Growth in specialty coffee**

The percentage of Americans drinking specialty coffee in the US has more than doubled since 2009 (Ward, 2004) and teenagers are a particularly high growth segment. McDonald's McCabe specialty coffee product line should continue to benefit from this trend.

Marketing Plan Focus

There is an opportunity to significantly grow the after-dinner snacking business (i.e., french fries and McCabe beverages) amongst teenagers and young adults. This is also a way to showcase updated facilities and amenities like Wi-Fi to customers who may not have visited McDonald's recently. It is important to re-establish brand liking with this age group prior to them having kids of their own. This will be the focus of the marketing plan.

Conclusion

The Frie-day night with Redbox marketing plan should be approved for funding because it will succeed in leveraging America's favorite french fries to drive increased trial of McCafe beverages by teens and young adults. It will also increase consideration of McDonald's as an evening snack destination

and help cement the brand's association with Friday night movie get-togethers. It will also help build brand affinity amongst this future generation of parents.

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